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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:	:	Chapter 11
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	:	Case No. 08-13555 (JMP)
Debtors.	:	(Jointly Administered)
	X	
LEHMAN BROTHERS HOLDINGS INC. and	:	
LEHMAN BROTHERS SPECIAL	:	
FINANCING, INC.	:	Adv. Proc. No. 10-03228-jmp
Plaintiffs,	:	
-against-	:	
NOMURA INTERNATIONAL PLC,	:	
Defendant.	:	
	X	
LEHMAN BROTHERS HOLDINGS INC. and	:	
LEHMAN BROTHERS SPECIAL	:	
FINANCING, INC.	:	Adv. Proc. No. 10-03229-jmp
Plaintiffs,	:	
-against-	:	
NOMURA SECURITIES CO. LTD.	:	
Defendant.	:	
	X	

DEBTORS' AND DEBTORS IN POSSESSIONS' REPLY MEMORANDUM OF LAW IN SUPPORT OF MOTION OF DEBTORS AND DEBTORS IN POSSESSION FOR ENTRY OF AN ORDER, PURSUANT TO SECTION 105 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULES 1001, 7042 AND 9014, TO CONSOLIDATE CERTAIN PROCEEDINGS AND ESTABLISH RELATED PROCEDURES

TO THE HONORABLE JAMES M. PECK,
UNITED STATES BANKRUPTCY JUDGE:

1. Although Nomura¹ and Nomura Securities have filed a "Response" to the motion to consolidate, they "do not object to consolidating" the two matters against them. Instead, without a single reason why the Court should refrain from fully consolidating the cases, Nomura and Nomura Securities state that the Debtors have not argued for such relief and ask the Court to reserve judgment solely with respect to the consolidation of the evidentiary hearings and trials for these proceedings. To be clear, Debtors' motion makes no such distinction and asks the Court to consolidate the cases for all purposes.²

2. Nomura and Nomura Securities fail to recite even the relevant applicable legal standard pertaining to the instant motion and instead use the Response to Debtors' motion to consolidate to provide an excuse for their conduct, *i.e.*, that they submitted egregiously inflated claims in the Debtors' bankruptcy. Nomura and Nomura Securities apparently will contend that they are entitled to inflate their claims because of "disruptive" and "frayed" market conditions the week of September 15, 2008. The contracts at issue and norms of commercial reasonableness, prohibit Nomura and Nomura Securities from exploiting allegedly "disruptive"

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion of Debtors and Debtors in Possession for Entry of an Order, Pursuant to Section 105 of the Bankruptcy Code and Bankruptcy Rules 1001, 7042 and 9014, to Consolidate Certain Proceedings and Establish Related Procedures (the "Motion to Consolidate"), the Master Agreement, or the CSA.

² Debtors' motion seeks not only to consolidate the adversary proceedings and objections against Nomura and Nomura Securities, but also seeks to consolidate the objection filed against Nomura GFP. Nomura GFP has asked for an extension to respond to the motion, and Debtors have agreed to adjourn and carry the motion solely with respect to Nomura GFP until the next Omnibus Hearing date of June 16, 2010. Debtors hereby reserve all rights to argue at that time that the proceeding against Nomura GFP should likewise be consolidated for the reasons set forth in Debtors' motion papers.

“market volatility” to seek a windfall for themselves at the expense of the Debtors and their creditors.

3. As set forth in the detailed complaints and the Debtors’ motion to consolidate, and as discovery will serve to confirm, in the interest of judicial economy and because they involve common questions of law and fact, the proceedings against Nomura and Nomura Securities should be consolidated in their entirety.

4. Because Nomura and Nomura Securities do not oppose consolidation of these proceedings for pre-trial purposes, the Court should at a minimum order pretrial consolidation, including coordination of all discovery and motions concerning issues of law and fact common to these matters.

WHEREFORE, the Debtors respectfully request that this Court consolidate these proceedings for all purposes, in the manner requested in the Motion to Consolidate, or at a minimum order pretrial consolidation including coordination of all discovery and motions concerning issues of law and fact common to these matters and adjourn the remainder of the Debtors’ request to the next Omnibus Hearing date of June 16, 2010.

Dated: May 11, 2010
New York, New York

/s/ Jayant W. Tambe
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